

January 20, 2010

KANSAS STATE EMPLOYEES HEALTH CARE COMMISSION

ECONOMIC IMPACT STATEMENT FOR PROPOSED AMENDMENTS TO K.A.R. 108-1-3

I. Summary of Proposed Regulation and Its Purpose.

K.A.R. 108-1-3 establishes the eligibility requirements for school district employees to be covered under the school district component of the state's health care benefits program; i.e., the State Employee Health Plan (SEHP). K.S.A. 75-6506(c) provides that the Kansas State Employees Health Care Commission (HCC) may designate by rules and regulations those groups which are qualified to participate in the SEHP.

The proposed regulation change will reduce the waiting period before new employees are eligible to participate in the SEHP from the first of the month following the completion of a sixty (60) day waiting period to the first of the month following the completion of a thirty (30) day waiting period.

Reducing the waiting period should decrease the need for waivers of the waiting period; therefore, the regulation is also being modified to limit waivers to situations where a prospective employee has no other health insurance available to them or is in need of coverage to fulfill the requirements to obtain a work visa.

For purposes of clarity, several technical corrections are also being incorporated into the regulation.

II. Federal Law.

This regulation is not mandated by federal law as a requirement for participating in or implementing a federally subsidized or assisted program and does not exceed the requirements of any applicable federal law.

III. Economic Impact.

No economic impact on the general public is anticipated. The SEHP is a self-funded plan. Participating employers and employees pay monthly contributions into the SEHP fund. The cost/savings to an employee resulting from being able to enroll in the state plan earlier is unknown. This cost/savings would depend upon what the employee was paying for health coverage prior to being employed by the school district and enrolling in the

SEHP. In most cases, we believe the employee will have reduced health care costs by joining the plan earlier since the employer pays the majority of the employee-only health plan coverage and pays, on average, fifty-five (55) percent of the cost for covering dependents. The revenue generated by employees is estimated at \$53,444 over the course of the year based on current contribution rates.

With the change in the waiting period, participating school districts and their employees will be paying the plan contributions thirty (30) days earlier so there will be additional cost to both. The SEHP estimates that this will result in an additional cost to participating school districts of \$162,791. The cost estimate assumes an additional 24 eligible employees each month enrolling in the health plan at a cost of \$466.32 each month, and 11 of these employees each month will also elect dependent coverage at an additional cost of \$215.84 per contract. To develop the number of hires, we looked at the average number of benefits-eligible school district employees hired during 2008 and estimated the same number for future years. The cost estimate is based upon the current composite rates charged to participating school districts and this cost will increase as the composite rate changes.

Looking at this on a per member basis, we estimate the average revenue (employer and employee paid contributions) generated by allowing members into the plan thirty (30) days earlier would be \$752.57 per newly hired and enrolled plan member. Based upon a review of the claims data, we estimate the claims cost during this thirty (30) day period would be \$429 per newly hired and enrolled plan member. Claims cost estimates are based on what is currently seen in newly hired plan members.

IV. Less Costly or Less Intrusive Alternatives.

No other less costly or less intrusive alternatives to the proposed amendments were identified.